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1981 Missoula
Vocational-
Technical Center
financial-

State of Montana
Office of the Legislative Auditor

REPORT TO THE LEGISLATURE

MISSOULA VOCATIONAL-TECHNICAL CENTER

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1987

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This report addresses three recommendations for improvement in the center's operations. These recommendations address federal compliance issues.

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. The Office of the Legislative Auditor issues a biennial Single Audit Report for the state of Montana which fulfills those requirements on a statewide basis. The audit report presented here is therefore not intended to meet all reporting requirements of the Single Audit Act of 1984 and OMB Circular A-128.

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Office of the Legislative Auditor

MISSOULA VOCATIONAL - TECHNICAL CENTER

Financial-Compliance Audit for the
Two Fiscal Years Ended June 30, 1987

Audit Staff involved in this audit include: Mary Bryson, Jim Manning, Bill O'Donnell, Susan Fleming, and Rich McRae.

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:
MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

May 1988

The Legislative Audit Committee
of the Montana State Legislature:

This is the financial-compliance audit report on the Missoula Vocational-Technical Center's financial activity for fiscal years 1985-86 and 1986-87. Included in the report are three recommendations concerning: a) calculation of financial aid payments; b) a policy for satisfactory progress pertaining to "incomplete" grades; and c) excess federal cash. The center's written response to audit recommendations is included in the back of the report.

We thank the director and the center's staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

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MISSOULA VOCATIONAL-TECHNICAL CENTER

APPOINTED AND ADMINISTRATIVE OFFICIALS

BOARD OF REGENTS OF HIGHER EDUCATION

		Term Expires
Ted Schwinden, Governor*		1988
Ed Argenbright, Superintendent of Public Instruction*		1988
Dennis E. Lind, Chairman	Missoula	1989
Burt Hurwitz, Vice Chairman	White Sulphur Springs	1993
Beatrice McCarthy	Anaconda	1990
Elsie Redlin	Lambert	1991
Jim Kaze	Havre	1992
William L. Mathers	Miles City	1994
Leslie L. Kehoe, Student Representative	Bozeman	1988

*Ex officio member

ADMINISTRATIVE OFFICIALS

Carrol Krause	Commissioner of Higher Education
John H. Noble, Jr.	Deputy Commissioner for Management and Fiscal Affairs
Brady J. Vardemann	Deputy Commissioner for Vocational Technical Education

MISSOULA VOCATIONAL-TECHNICAL CENTER

Dr. Dennis Lerum	Director
Dr. James Taylor	Supervisor of Administrative Affairs

MISSOULA VOCATIONAL-TECHNICAL CENTER

ELECTED AND ADMINISTRATIVE OFFICIALS - PRIOR TO JULY 1987 *

OFFICE OF SUPERINTENDENT OF PUBLIC INSTRUCTION

Ed Argenbright	Superintendent of Public Instruction
Gene Christiaansen	Assistant Superintendent for Vocational Education Services

MISSOULA COUNTY HIGH SCHOOL DISTRICT
Board of Trustees

	Term Expires
Leonard Landa, Chairperson	1988
Ruth Card, Vice-Chairperson	1988
Peter Eichten	1988
Julie Hacker	1989
Dr. Don Hjelmseth	1989
Dr. Maureen Curnow	1990
Susan Holmes	1990

ADMINISTRATIVE OFFICIALS - SCHOOL DISTRICT

Dr. Dennis Kraft	Superintendent
Joe Roberts	Assistant Superintendent
Shirley Rosengren	Personnel Director

*Note: During the audit period, fiscal years 1985-86 and 1986-87, the center was under the governance of the Office of Public Instruction. As of July 1, 1987, the governance changed to the Board of Regents of Higher Education.

SUMMARY OF RECOMMENDATIONS

This listing serves as a means of summarizing the recommendations contained in the audit report and the center's reply.

	Page
Recommendation #1 The center:	
A. Establish procedures to ensure payments are calculated accurately.	4
B. Make cost adjustments of $122 or obtain a waiver from the U.S. Department of Education.	4
Center's Response: Concur. See page 21.	
Recommendation #2 The center establish a policy concerning satisfactory progress in making up incomplete grades.	4
Center's Response: Concur. See page 21.	
Recommendation #3 The center monitor cash balances and request only one month's anticipated costs.	5
Center's Response: Concur. See page 21.	

INTRODUCTION

We performed a financial-compliance audit of the Missoula Vocational-Technical Center for the two fiscal years ended June 30, 1987. Our audit objectives were to:

1. Make recommendations for improvement in management and internal controls.
2. Determine reasonableness of the financial schedules for fiscal years ended June 30, 1986 and 1987.
3. Determine if the center complied with applicable state and federal laws and regulations.
4. Determine whether prior audit recommendations have been effectively implemented.

In accordance with Section 5-13-307, MCA, we analyzed the costs of implementing the recommendations made in this report. Each report section discloses the cost, if significant, of implementing the recommendation.

BACKGROUND

A practical nursing program originated in 1960 by the Missoula County High School Board of Trustees marked the beginning of postsecondary vocational-technical education in Missoula County. In 1967, under terms of the Federal Vocational Education Act of 1963, the board established the Missoula Vocational-Technical Center. Official state designation was granted to the Missoula Center in 1969 when the State Board of Public Education, through authorization granted by the state legislature, created the existing Montana Postsecondary Vocational-Technical Center System. As noted on page 2, effective July 1, 1987, the five Vocational-Technical Centers are under control of the Board of Regents.

Spring quarter student enrollment was 476 in 1987. A schedule of full-time equivalent students for the audit period appears on page 19. Approximately 75 faculty and staff provide instructional and administrative support.

The following table illustrates the number of students enrolled in the various programs during fall quarter 1986 and spring quarter 1987:

PROGRAM ENROLLMENT

Occupation/Program	Fall Quarter 1986	Spring Quarter 1987
Accounting/Bookkeeping	46	63
Clerk Typist	12	17
Combination Welding	23	18
Computer Operator/Programmer	38	31
Data Entry/Computer Operator	28	24
Dinner/First Cook	11	17
Electronics Technology	41	35
Fashion Merchandising	16	11
Forestry Technology	3	2
General Secretary	8	2
Heavy Equipment Mechanic	33	25
Heavy Equipment Operation	25	23
Information Processing	35	40
Kitchen Production Manager	11	7
Legal Secretary	38	27
Medical Receptionist	18	22
Medical Secretary	19	19
Medical Transcriptionist	10	11
Practical Nursing	36	37
Respiratory Therapy Technology	10	22
Retail Merchandising	6	6
Small Engine Mechanic	8	6
Surgical Technology	18	11
Total	493	476

Source: Prepared by the Office of the Legislative Auditor

GOVERNANCE CHANGE

Chapter 658, Laws of 1987, transferred the governance of the post-secondary vocational-technical centers to the Board of Regents of Higher Education from the Superintendent of Public Instruction effective July 1, 1987. There is a two year transition period from July 1, 1987 to June 30, 1989. As of July 1, 1987 all vocational-technical center directors became state employees. All other vocational-technical center employees will remain local school district employees until June 30, 1989. The Board of Regents must report to the 51st Legislature on the following (6) items:

(1) A plan for reorganization of the delivery system for all postsecondary vocational-technical education in Montana.

(2) A long term plan for achieving high quality vocational-technical centers through the possibility of program specialization at each center.

(3) The feasibility and appropriateness of closure of one or more of the vocational-technical facilities.

(4) A plan for elimination of programs that serve few students.

(5) A plan for consolidation of administrative functions of the individual centers which could result in cost savings and more efficient operations, and

(6) The feasibility of consolidating postsecondary vocational-technical facilities and staff with nearby units of the university system.

PRIOR AUDIT RECOMMENDATIONS

Our office performed the Missoula Vocational-Technical Center audit for the two fiscal years ended June 30, 1985. The prior report contained three recommendations still applicable to the center. The center concurred with and implemented all three prior audit recommendations.

FEDERAL COMPLIANCE

The Missoula center participates in the following federal student financial aid programs: Pell Grants (CFDA #84.063); Guaranteed Student Loans (CFDA #84.032); College Work Study (CFDA #84.033); Supplemental Educational Opportunity Grants (CFDA #84.007); and State Student Incentive Grants (CFDA #84.069). In addition to the student aid programs, the center also received subgrants for the following federal programs: Job Training Partnership Act (CFDA #17.250); Adult Basic Education (CFDA #84.002); and Carl Perkins (CFDA #84.048).

The following sections discuss instances noted during the audit where the center can enhance compliance with applicable federal regulations and/or improve management controls over federal programs.

Financial Aid Payments

The center is required to determine any overpayments when a student changes status or leaves the institution after receiving a cash disbursement from the Pell program. The center made a mistake in calculating one student's Pell payment amount which resulted in a $122 overpayment. The difference of $122 should have been collected from the student and returned to the federal

government. Since the center did not comply with federal regulations, we question $122 paid with federal funds. Center personnel stated the error in the overpayment occurred because the admissions office recorded this student's contact hours incorrectly. The student was recorded as enrolled in the same class twice, and as a result, the center calculated the student's status as three-fourths time instead of one-half time for repayment purposes.

Errors made on overpayment calculations result in students receiving more or less aid than the student is eligible to receive. An incorrect Pell (CFDA #84.063) overpayment calculation indicates a weakness exists in the center's control system.

RECOMMENDATION #1

WE RECOMMEND THE CENTER:

A. ESTABLISH PROCEDURES TO ENSURE PAYMENTS ARE CALCULATED ACCURATELY.

B. MAKE COST ADJUSTMENTS OF $122 OR OBTAIN A WAIVER FROM THE U.S. DEPARTMENT OF EDUCATION.

Satisfactory Progress Standards

Federal regulations require the center to determine whether a student is maintaining satisfactory scholastic progress as a condition for receipt of student financial aid. Under the federal guidelines the center is required to establish a maximum time frame in which the student must complete his/her educational objective. The center is also required to make a determination at least once an academic year of the students' progress.

Although the center has a policy to determine satisfactory progress and reviews a student progress each quarter, we noted an oversight in the policy. The center has no policy established for the length of time a student has to complete a class in which he/she has received an "incomplete" grade. The possibility exists for students to continue to receive financial aid and not make up "incompletes."

RECOMMENDATION #2

WE RECOMMEND THE CENTER ESTABLISH A POLICY CONCERNING SATISFACTORY PROGRESS IN MAKING UP INCOMPLETE GRADES.

Excess Federal Cash

We noted the center had a minimum balance of $21,629 after disbursements for April, May, and June, 1987, in federal financial aid cash. Disbursements for the months of May and June were approximately $2,500 each month. Therefore, the $21,629 was in excess of the center's need for disbursements. Federal regulations require that the amount of cash on hand should not exceed one month's anticipated costs. By not complying with federal regulations, the center could jeopardize the funding for financial aid programs. Center personnel stated the last amount requested for fiscal year 1986-87 was overestimated. The center will use the excess money to reduce future requests. Center personnel stated that as of the beginning of fiscal year 1987-88 they went to a wire transfer system which should alleviate excess cash problems.

RECOMMENDATION #3

WE RECOMMEND THE CENTER MONITOR CASH BALANCES AND REQUEST ONLY ONE MONTH'S ANTICIPATED COSTS.

PROPERTY, PLANT AND EQUIPMENT

Due to the change in governance, questions exist concerning ownership of the land and buildings used by each of the five vocational-technical centers. The Missoula Vocational-Technical Center has recorded buildings in the amount of $2,842,232; land in the amount of $1,009,640; and equipment and library books in the amount of $2,004,220 on its accounting records. The Missoula County High School system has recorded building "B" and Homevale Addition property that the center also has interest in.

Center personnel have concerns about the ownership of three property, plant and equipment items. These items include: a) one building - referred to as building "B", fiscal year 1987-88 insurance appraisal $1,051,508; b) one piece of land - referred to as the Homevale Addition, with a value estimated to be between $145,000 and $405,000; and c) the computer center, PAMS listing of equipment $367,363. The Missoula County High School and the center both

have interest in ownership in these items. Circumstances surrounding the acquisition of these items are complex and its unclear as to who has title. The Commissioner of Higher Education is in the process of negotiating ownership of assets pertaining to all five centers. We make no recommendation pending the resolution of the negotiations.

AUDITOR'S OPINION LETTER
AND CENTER FINANCIAL SCHEDULES

SUMMARY OF AUDIT OPINION

The auditor's opinion issued in this report is intended to convey to the reader of the financial schedules the degree of reliance which can be placed on the amounts presented.

We issued an unqualified opinion on the Missoula Vo-Tech Center's Financial Schedules. This means the user may place reliance on the information from the schedules and supporting data from the Statewide Budgeting and Accounting System (SBAS).

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

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LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS

MARY BRYSON
Operations and EDP Audit

JAMES GILLETT
Financial-Compliance Audit

JIM PELLEGRINI
Performance Audit

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the financial schedules of the Misssoula Vocational-Technical Center for each of the two fiscal years ended June 30, 1986 and 1987, as shown on pages 8 through 19. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 1 to the financial schedules, the center's financial schedules are prepared in accordance with state accounting policy. Accordingly, the accompanying financial schedules are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial schedules referred to in paragraph one present fairly the results of operations and changes in fund balances of the Missoula Vocational-Technical Center for the fiscal years ending June 30, 1986 and 1987, in conformity with the basis of accounting described in Note 1, which has been applied on a consistent basis.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

January 29, 1988

MISSOULA VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF CHANGES IN FUND BALANCE
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1987

	CURRENT FUNDS				
	Unrestricted Subfund	Restricted Subfund	Designated Subfund	Auxiliary Subfund	Endowment Fund
FUND BALANCE: July 1, 1985	$ 20,554	$ 81,273	$ 53,767	$ 60,061	$13,966
ADDITIONS					
Fiscal Year 1985-86					
Budgeted Revenue & Transfers In	2,599,602	503,945	321,769		
Nonbudgeted Revenue & Transfers In	16,323	481,144	28,785	266,607	
Total Revenue & Transfers In	2,615,925	985,089	350,554	266,607	
Prior Year Revenue - Additions/Adjustments	(350)	(1,557)	(4,765)		
Prior Year Transfer In Adjustments	22				
Fiscal Year 1986-87					
Budgeted Revenue & Transfers In	2,537,932	625,856	306,151	227,556	
Nonbudgeted Revenue & Transfers In	23,644	412,701	24,320		
Total Revenue & Transfers In	2,561,576	1,038,557	330,471	227,556	
Prior Year Revenue - Additions/Adjustments	2,061	808	4,453	(6)	
Prior Year Transfer In Adjustments	(551)				
Total Additions	5,178,683	2,022,897	680,713	494,157	
REDUCTIONS					
Fiscal Year 1985-86					
Budgeted Expenditures & Transfers Out	2,600,479	504,395	329,804		
Nonbudgeted Expenditures & Transfers Out	11,956	474,185	19,616	265,427	
Total Expenditures	2,612,435	978,580	349,420	265,427	
Prior Year Expenditure Adjustments	(1,817)				
Prior Year Expenditure Transfers Out		22			
[1] Nonbudgeted Prior Year Expenditure Adjustments	146,289		6,157	2,036	
Direct Entries To Fund Balance	(11,528)				
Current Year Increase In Compensated Absences	(8,133)		2,077	(335)	
Fiscal Year 1986-87					
Budgeted Expenditures & Transfers Out	2,537,932	664,880	291,019	234,017	
Nonbudgeted Expenditures & Transfers Out	10,275	419,330	28,928	(20,919)	
Total Expenditures	2,548,207	1,084,210	319,947	213,098	
Prior Year Expenditure Adjustments	(2,108)		(323)		
Nonbudgeted Prior Year Expenditure Adjustments	1,906			6	
Direct Entries To Fund Balance					
Current Year Increase In Compensated Absences	12,460		(4,354)	365	
Total Reductions	5,297,711	2,062,812	672,924	480,597	
FUND BALANCE: June 30, 1987	$ (98,474)	$ 41,358	$ 61,556	$ 73,621	$13,966

[1] This is the first year the center recorded compensated absences.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is presented in the notes to the financial schedules on pages 16 through 19.

MISSOULA VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF TOTAL REVENUE AND TRANSFERS IN
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1987

	Taxes	Service Fees	Investment Earnings	Rentals, Leases, & Royalties	Grants, Gifts, & Donations	Sale of Merchandise	Federal Assistance	Income Collections & Transfers	Miscellaneous	Total
Year 1987										
T FUNDS:										
stricted Subfund	$642,670	$303,502		$17,388				$1,597,970	$ 46	$2,561,576
ricted Subfund	162,580	136,316	$ 881		$63,741		$640,380	30,579	2,080	1,036,557
gnated Subfund		13,333				$316,936			202	330,471
liary Subfund						227,556				227,556
TOTAL FY 1987	$805,250	$455,151	$ 881	$17,388	$63,741	$544,492	$640,380	$1,628,549	$2,328	$4,156,160
Year 1986										
T FUNDS:										
stricted Subfund	$607,900	$337,510		$6,070				$1,664,360	$ 85	$2,615,925
ricted Subfund	185,651	114,450	$1,066		$34,998		$604,836	40,231	3,857	985,089
gnated Subfund		14,819				$335,662			73	350,554
liary Subfund						266,607				266,607
TOTAL FY 1986	$793,551	$466,779	$1,066	$6,070	$34,998	$602,269	$604,836	$1,704,591	$4,015	$4,218,175

chedule is prepared from the Statewide Budgeting and Accounting System. Additional information is presented in the notes to the financial schedules
es 16 through 19.

MISSOULA VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF BUDGETED REVENUE AND TRANSFERS IN
ESTIMATE AND ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1987

	Taxes	Service Fees	Grants, Gifts, & Donations	Federal Assistance	Income Collections & Transfers	Sale Of Merchandise	Total
Year 1986-87							
FUNDS:							
tricted Subfund							
Imated Revenue & Transfers In	$ 1	$353,428			$1,602,377		$1,955,806
ual Revenue	642,670	303,502			1,591,760		2,537,932
lections Over(under) Estimate	$642,669	$(49,926)			$ (10,617)		$ 582,126
icted Subfund							
imated Revenue & Transfers In	$165,290	$112,700	$49,300	$183,997	$ 84,708		$ 595,995
ual Revenue	162,580	126,904	50,088	257,666	28,616		625,656
lections Over(under) Estimate	$ (2,710)	$ 14,204	$ 788	$ 73,669	$ (56,090)		$ 29,661
nated Subfund							
imated Revenue & Transfers In		$ 15,000				$292,071	$ 307,071
ual Revenue		10,324				295,827	306,151
lections Over(under) Estimate		$ (4,676)				$ 3,756	$ (920)
iary Subfund							
imated Revenue & Transfers In						$265,000	$ 265,000
ual Revenue						227,556	227,556
lections Over(under) Estimate						$(37,444)	$ (37,444)
Year 1985-86							
FUNDS:							
ricted Subfund							
ated Revenue & Transfers In	$620,000	$336,144			$1,682,590		$2,638,734
l Revenue	607,900	337,510			1,654,192		2,599,602
ctions Over(under) Estimate	$(12,100)	$ 1,366	$ 0	$ 0	$ (28,398)		$ (39,132)
cted Subfund							
ated Revenue & Transfers In	$132,700	$ 65,300	$20,600	$196,995	$ 37,600		$ 473,395
l Revenue	185,651	102,229	15,774	163,126	37,165		503,945
ctions Over(under) Estimate	$ 52,951	$ 16,929	$(5,026)	$(33,869)	$ (435)		$ 30,550
ated Subfund							
ated Revenue & Transfers In						$357,000	$ 357,000
l Revenue						321,769	321,769
ctions Over(under) Estimate						$(35,231)	$ (35,231)

hedule is prepared from the Statewide Budgeting and Accounting System. Additional information is
ed in the notes to the financial schedules on pages 16 through 19.

MISSOULA VOCATIONAL-TECHNICAL CENTER

SCHEDULE OF TOTAL PROGRAM EXPENDITURES AND TRANSFERS OUT BY OBJECT

FOR THE FISCAL YEAR ENDED JUNE 30, 1987

	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Plant Operation & Maintenance	Scholarships and Fellowships	Auxiliary Enterprise	Support	Computer Center	Total
IAL SERVICES											
ries	$1,425,720	$1,006	$ 63,519			$ 26,438		$ 168	$340,617	$66,118	$1,903,586
y Wages	18,421		47,829	$14,228	$1,074	99,524	$ 887	32,850	171,172	51,512	437,497
yee Benefits	281,091	154	20,596	3,406		29,532		9,556	108,223	27,130	479,688
				87							87
al	1,725,232	1,160	111,944	17,721	1,074	155,494	887	42,574	620,012	144,760	2,820,858
ING EXPENSES											
ected Services	71,008		2,703	1,875		35,360		780	46,485	18,718	176,929
lies & Materials	67,398	835	2,425	2,703				33,887	13,706	11,371	132,325
nications	1,897		3,729	6,773		26,913		462	7,432	4,820	52,026
al	6,361	47	291						5,652	1,733	14,084
	15,931		66						1,864	10,040	27,901
ties						93,603		239			93,842
r & Maintenance	29,796		889			13,046		1,052	5,456	27,455	77,692
Expenses	2,252		118	1		607	3,125	(20,458)	7,162	1,912	(5,281)
Purchased For Resale								155,850		9	155,859
al	194,641	882	10,221	11,352		169,529	3,125	171,812	87,757	76,058	725,377
IENT AND INTANGIBLE ASSETS											
ment	160,088		7,940							5,117	173,145
gible Assets			880								880
al	160,088		8,820							5,117	174,025
SERVICE											
e										56,975	56,975
allment Purchase								683			683
al								683		56,975	57,658
ERS											
tory Transfers	33,906			164							34,150
ndatory Transfers	1,045		253		67	540	525	123		88	2,641
al	35,031		253	164	67	540	525	123		88	36,791
S											
State Sources							7,200				7,200
Federal Sources							343,553				343,553
Other Sources											
al							350,753				350,753
PROGRAM EXPENDITURES	$2,114,992	$2,042	$131,238	$29,237	$1,141	$325,563	$355,290	$215,192	$707,769	$282,998	$4,165,462

chedule is prepared from the Statewide Budgeting and Accounting System. Additional information is presented
notes to the financial schedules on pages 16 through 19.

MISSOULA VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF TOTAL PROGRAM EXPENDITURES AND TRANSFERS OUT BY OBJECT
FOR THE FISCAL YEAR ENDED JUNE 30, 1986

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Plant Operation & Maintenance	Scholarships and Fellowships	Auxiliary Enterprise	Support	Computer Center	Total
WAL SERVICES												
-ies	$1,389,007		$ 196	$ 41,250			$ 25,203		$ 1,146	$334,522	$ 98,306	$1,889,630
ly Wages	31,315			38,922	$15,729	$552	101,787	$ 17,690	39,285	166,414	44,589	456,283
oyee Benefits	270,248		16	17,098	3,540		31,078		10,638	105,226	31,759	469,603
al	1,690,570		212	97,270	19,269	552	158,068	17,690	51,069	606,162	174,654	2,815,516
TING EXPENSES												
racted Services	68,756	$3,907	2,077	8,402	6,299		19,959		1,479	78,890	1,815	191,584
ies & Materials	75,752		204	1,712	7,047		13,662		50,370	13,575	22,379	184,701
unications	1,995						26,245			9,214	6,250	43,704
el	4,970		1,678	50						4,504	1,844	13,046
	4,568		160				36			3,563	45,272	53,599
ities							99,139					99,139
ir & Maintenance	18,995			508			17,822		1,684	6,117	4,368	49,494
r Expenses	2,738		250	100	10		637	2,425	5,796	6,745	656	19,357
ds Purchased For Resale	628								154,457			155,085
al	178,402	3,907	4,369	10,772	13,356		177,500	2,425	213,786	122,608	82,584	809,709
MENT AND INTANGIBLE ASSETS												
pment	66,419			4,353	2,345						15,590	88,707
ngible Assets	1,995											1,995
al	68,414			4,353	2,345						15,590	90,702
SERVICE												
es												
allment Purchases									1,939		56,975	58,914
al									1,939		56,975	58,914
SFERS												
datory Transfers	46,163											46,163
mandatory Transfers	1,191		234	322	150	35	632	1,586	85			4,235
tal	47,354		234	322	150	35	632	1,586	85			50,398
TS												
m State Sources								6,580				6,580
m Federal Sources								374,043				374,043
tal								380,623				380,623
L PROGRAM EXPENDITURES	$1,984,740	$3,907	$4,815	$112,717	$35,120	$587	$336,200	$402,324	$266,879	$728,770	$329,803	$4,205,862

s schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is presented in the notes to the financial
dules on pages 16 through 19.

MISSOULA VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES AND TRANSFERS OUT
BY OBJECT AND FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1986

	Instruction	Plant Operation & Maintenance	Academic Support	Computer Center	Support	Total
SONAL SERVICES						
aries	$1,366,970	$25,203	$41,251	$ 98,307	$334,524	$1,868,255
rly Wages	25,757	91,719	33,793	44,589	166,414	362,272
loyee Benefits	267,390	31,078	17,096	31,759	105,226	452,551
otal	1,662,117	148,000	92,142	174,655	606,164	2,683,078
ATING EXPENSES						
tracted Services	66,409	19,959	6,402	1,815	78,890	177,475
plies & Materials	71,426	13,662	1,602	22,379	13,575	122,644
munications	1,994	26,245		6,250	9,214	43,703
vel	4,317		50	1,844	4,504	10,715	
	3,456	36		45,272	3,563	52,327
ilities		99,139				99,139
air & Maintenance	16,962	17,822	507	4,368	6,117	45,776
er Expenses	1,686	636	100	656	6,745	9,825
ds Purchased For Resale						
otal	168,250	177,501	10,661	82,584	122,608	561,604
PMENT AND INTANGIBLE ASSETS						
ipment	66,419		4,353	15,590		86,362
ngible Assets	495					495
otal	66,914		4,353	15,590		86,857
SERVICE						
ies				56,975		56,975
otal				56,975		56,975
FERS						
datory Transfers	46,164					46,164
otal	46,164					46,164
L PROGRAM EXPENDITURES	$1,943,445	$325,501	$107,156	$329,804	$728,772	$3,434,678
ENT FUNDS:						
stricted Subfund						
geted	$1,563,960	$357,561			$738,815	$2,660,336
ual	1,546,206	325,501			728,772	2,600,479
pent Budget Authority	$ 17,754	$ 32,060			$ 10,043	$ 59,857
ricted Subfund						
geted	481,640		$107,156			588,796
ual	397,239		107,156			504,395
pent Budget Authority	$ 84,401		$ -0-			$ 84,401
gnated Subfund						
geted				$371,000		371,000
ual				329,804		329,804
pent Budget Authority				$ 41,196		$ 41,196

schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is presented in notes to the financial schedules on pages 16 through 19.

MISSOULA VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF ADDITIONS AND DEDUCTIONS
AGENCY FUND ASSETS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1987

	Agency Fund Additional Millage	Agency[1] Fund Clearing	Agency[2] Fund All Other
Asset Balance July 1, 1985	$ 85,631	$ 27,298	$ 5,642
Additions:			
Fiscal Year 1986	563,010	110,000	17,576
Fiscal Year 1987	680,779	0	13,264
Total Additions	1,243,789	110,000	30,840
Deductions:			
Fiscal Year 1986	628,575	137,298	18,334
Fiscal Year 1987	648,740	0	13,311
Total Deductions	1,277,315	137,298	31,645
Asset Balance June 30, 1987	$ 52,105	$ 0	$ 4,837

[1] This includes Department of Education Federal Assistance Financing System and Pell Grants. Due to change in state accounting policy, this activity is reported in the Current Restricted Fund beginning in fiscal year 1986-87.

[2] This includes Associated Students, Office Education Association Distributed Education Clubs of America (DECA), Culinary Student Assistance Fund, and Scholarships.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is presented in the notes to the financial schedules on pages 16 through 19.

MISSOULA VOCATIONAL-TECHNICAL CENTER

NOTES TO THE FINANCIAL SCHEDULES

FOR THE TWO FISCAL YEARS ENDED JUNE 30,1987

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The state of Montana utilizes the accrual basis of accounting for the funds of higher education units. Under the accrual basis of accounting, a valid obligation exists when the related liability is incurred except for the following items which are also considered valid obligations under state accounting policy.

- If the appropriation provided funds to complete a given project, the entire amount of a contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is to be accrued.
- The anticipated cost of equipment is expensed in the fiscal year in which budgeted.
- Goods ordered, but not received as of fiscal year-end, may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.

B. Basis of Presentation

The financial schedules were prepared from the Statewide Budgeting and Accounting System (SBAS) without adjustments.

The state of Montana accounts are organized on the basis of the fund structure outlined in section 17-2-102, MCA.

The center uses the following higher education funds:

Current Funds - Include economic resources expendable for instruction, research, public service, and the allied support programs. Subgroups of the current funds group are as follows:

Unrestricted - Funds received for which no stipulation was made by the donor or other external agency as to the purpose for which they should be expended.

Designated - funds associated with general operations but which have been internally restricted. This fund is separately classified in

order to distinguish the specific type of service being provided to the various departments and is supported by internal charges to the user departments. An example at the center is the computer center.

Auxiliary - exists to furnish goods or services to students, faculty, or staff through a fee charged for the cost, although not necessarily equal to the cost of the goods or services. The revenues are derived directly from the operation of the auxiliary enterprise.

Restricted - funds available for financing operations which are limited by donors and other external agencies to specific purposes, programs, departments, or schools.

Endowment Funds - Donated funds invested in interest bearing accounts utilizing only interest earned for scholarships to students. The donor or center has designated initial contributions as nonexpendable principal. Scholarships are awarded at the discretion of a scholarship committee and in accordance with any donor restrictions.

Agency Funds - Includes resources held by the institution as custodian or fiscal agent for individual students, faculty, staff members, and organizations.

In fiscal years 1983-84 and 1984-85, the center used two governmental funds, the General Fund and the Special Revenue Fund, to record initial receipts, then transferred these moneys to the unrestricted fund. These two funds are no longer used by the center. Receipts are recorded directly into the unrestricted fund for fiscal years 1985-86 and 1986-87.

2. VACATION AND SICK LEAVE

Classified or support employees are allowed to accumulate and carryover a maximum of two times their annual accumulation of vacation 90 days into a new calender year. Contracted teachers do not earn vacation, while 12-month administrative employees may not accrue more than 20 days of vacation each fiscal year, 20 of which may be carried forward to the succeeding fiscal year.

Teachers earn 10 days of sick leave a year. All other full-time employees earn 12 days of sick leave a year. Accumulated sick leave is carried forward each fiscal year, with a maximum limit of 120 days for teachers and 130 for administrators.

Upon termination, qualifying classified and administrative employees having unused accumulated vacation and sick leave are paid 100 percent for vacation and 25 percent for sick leave. However, teachers have a maximum of

$5,000 on sick leave. The liability amount associated with unused accumulated vacation and sick leave at June 30, 1987, is approximately $33,820 and $122,864, respectively.

3. PENSION PLAN

Employees are covered by the Montana Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS). The center's contribution for PERS was $34,483 in 1985-86 and $33,019 in 1986-87. The center's TRS contribution was $117,117 in 1985-86 and $119,879 in 1986-87.

4. BUDGET INFORMATION

The annual appropriations for planning and controlling financial operations are set for each fiscal year of the biennium by the Legislature. At the end of each fiscal year the center's unrestricted subfund appropriations revert to the fund of original appropriation and may be spent only for valid prior year obligations.

Appropriations for the center were established within the following areas:

1. Personal services,
2. Operations, and
3. Capital expenditures.

5. LEASES AND LONG-TERM OBLIGATIONS

The center has short-term obligations for vending machines. The center will own the vending machines at the end of the obligation.

The center leases a new AT&T phone system and AT&T computer. Lease payments are on a monthly basis. The center will own the system and computer at the end of the lease term.

The following is a lease schedule by year of future minimum lease payments together with the present value of the net minimum lease payments as of June 30, 1987:

Vending Machines	
1988	$ 341.52
Minimum lease payments	$ 341.52
Less: amount representing interest	82.80
Present value of net minimum lease payments	$ 258.72
AT&T Phone System	
1988	$ 8,446.14
1989	8,446.14
1990	8,446.14
1991	8,446.14
1992	6,334.60
Minimum lease payments	40,119.16
Less: amount representing interest	7,202.11
Present value of net minimum lease payments	$32,917.05
AT&T Computer	
1988	$ 1,012.02
1989	1,012.02
1990	1,012.02
1991	1,012.02
1992	759.02
Minimum lease payments	4,807.10
Less: amount representing interest	862.96
Present value of net minimum lease payments	$ 3,944.14

6. STUDENT FTE

SCHEDULE OF FULL-TIME EQUIVALENT STUDENTS (FTE)
TWO FISCAL YEARS ENDED JUNE 30, 1987

Quarter	Year	Number of Instruction Days	Number[1] of Students	Reported Contact Hours	FTES[2] Reported
Summer	1985	53	172	41,125	123
Fall	1985	55	609	197,712	593
Winter	1986	55	565	188,760	566
Spring	1986	55	468	150,150	450
Summer	1986	53	79	21,261	64
Fall	1986	55	612	163,440	490
Winter	1987	55	543	170,446	511
Spring	1987	55	476	151,776	455

1 Includes full-time and part-time students.

2 This is the reported contact hours divided by 333.3 contact hours as required by 10.41.101, ARM.

CENTER RESPONSE

Missoula Vocational Technical Center
for HIRE education

- Post Secondary Vocational Technical Education
- Adult Continuing Education
- Community Service

Phone (406) 721-1330 909 South Avenue West Missoula, Montana 59801-7910

May 24, 1988

RECEIVED
MAY 25 1988
MONTANA LEGISLATIVE AUDITOR

Mr. James Gillett
Deputy Legislative Auditor
Office of the Legislative Auditor
State Capitol
Helena, MT 59620

Dear Mr. Gillett:

Enclosed is the Missoula Vocational Technical Center response to the audit report prepared by your office of the Center's activities for the two fiscal years ended June 30, 1986 and 1987.

Center personnel express their appreciation to you and your staff for a professional and cooperative effort. Your field auditors completed their tasks efficiently with minimum disruption of normal Center operation. Your comments and recommendations will, as usual, be beneficial to the future operation of Missoula Vocational Technical Center.

Sincerely,

Dennis Lerum

Dennis Lerum
Director

Enclosure

DL/ck

cc: Jack Noble
Rod Sundsted

MISSOULA VOCATIONAL TECHNICAL CENTER
RESPONSE TO AUDITOR'S RECOMMENDATIONS
FOR FISCAL YEARS ENDED JUNE 30, 1986 AND 1987

RECOMMENDATION #1: FINANCIAL AID PAYMENTS

We recommend the Center:

A. Establish procedures to ensure payments are calculated accurately.
B. Make cost adjustments of $122 or obtain a waiver from the U.S. Department of Education.

RESPONSE

We concur. During fiscal years 1986 and 1987, $691,920 were disbursed for Pell Grants. The $122 error represents an error rate of less than 0.02 percent. Center personnel will review future calculations in an attempt to reduce the error rate to zero. The U.S. Department of Education will be consulted during their audit response process to determine whether a cost adjustment or a waiver will be required.

PLAN FOR CORRECTIVE ACTION

Financial Aid personnel will closely verify enrollment records with the Office of Admissions in an attempt to avoid further errors.

RECOMMENDATION #2: SATISFACTORY PROGRESS STANDARDS

We recommend the Center establish a policy concerning satisfactory progress in making up incomplete grades.

RESPONSE

We concur. The policy on incomplete grades has been changed and published in the 1988-89 Missoula Vocational Technical Center Curriculum Catalog.

PLAN FOR CORRECTIVE ACTION

Corrective action has been taken and the policy has been implemented.

RECOMMENDATION #3: EXCESS FEDERAL CASH

We recommend the Center monitor cash balances and request only one month's anticipated costs.

RESPONSE

We concur. As stated in the audit, the Center has adopted the use of the Federal wire transfer system to request cash. Turn around from time of request to receipt of cash has been reduced from in excess of 30 days to less than five days.

PLAN FOR CORRECTIVE ACTION

Corrective action has been taken.